

TRENDS

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Did You Know...

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State Health Plan Per Capita Payment Up in 2000

While health care costs continue to rise, it is important that health plans know the average annual payments made per insured life, also known as the per capita payment. The State Health Plan's (SHP) per capita payment has grown annually since the Plan's inception. The SHP's per capita payment for 2000 was \$1,980, an 8.9 percent increase from \$1,819 in 1999.

It should be noted that the claims payment data utilized in this article is based on claims

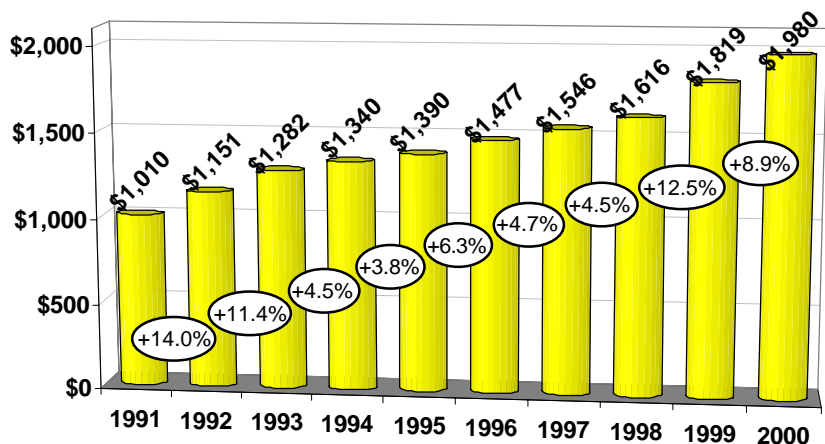
"paid" in 2000 instead of claims "incurred".

The Roles of Insured Lives & Plan Payments

A major shift in either plan payments or insured lives can have a substantial impact on the per capita payment. Typically, plan payments have a larger impact on per capita payment. In 2000, plan payments increased 16.6 percent to \$711.1

See PER CAPITA on Page 2

State Health Plan Annual Payment per Insured Person: 1991 - 2000



Note: Data based on claims "paid" during each year.

Per Capita

Continued from Page 1

million. At the same time, the average number of insured lives rose 7.1 percent to 359,224 lives in 2000.

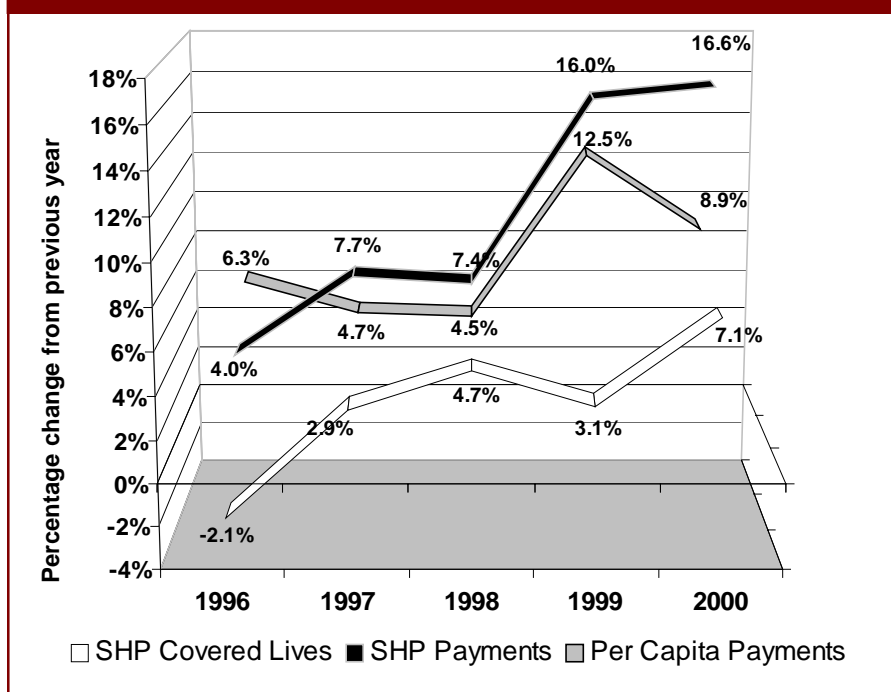
Since 1995, per capita payment growth has averaged 7.4 percent annually. Plan payment growth has averaged 10.3 percent since 1995 while the insured lives averaged has grown an average 3.1 percent annually.

Subscriber & Dependent Per Capita Payment

The per capita payment varied from subscribers to dependents. The subscriber per capita payment was \$2,397 with \$482.9 million in payments, 67.9 percent of 2000 plan payments. The SHP's averaged 201,502 subscribers in 2000. Subscriber per capita payment grew 9.2 percent behind a 16.6 percent increase in subscriber plan payments and a 6.8 percent rise in subscriber enrollment.

The combined dependent (spouses and children) per capita payment was \$1,447 with \$228.2 million in dependent plan pay-

SHP Per Capita Payments, Plan Payments, and Covered Lives Growth Trends



ments and an average of 157,722 dependents covered.

Dependent spouses had the largest per capita payment in 2000 at \$2,744, up 8.8 percent from 1999. Plan payments for dependent spouses totaled \$149.7 million, 21.0 percent of plan payments and were up 19.0 percent from 1999. The average number of spouses insured rose 9.3 percent to 54,544 in 2000.

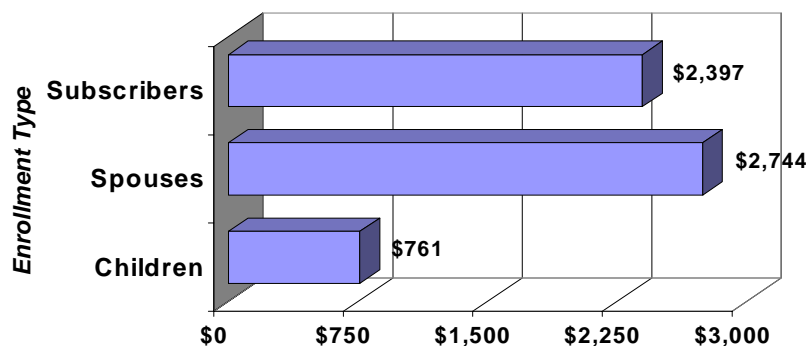
The per capita payment for

dependent children was \$761, up 5.3 percent from 1999. Plan payments for dependent children composed 11.0 percent of plan payments with \$78.5 million in 2000, up 12.1 percent from 1999. While dependent children had the lowest per capita payment, they ranked second in insured lives with an average 103,179 dependent children in 2000.

Conclusion

The growth in health care costs is primarily driven by increased utilization. As cost growth continues, both employees and employers face the difficult task of addressing the growth while providing services. Improving the health of insureds, providing preventive programs, and reducing the need for costly medical services are important to the goals of controlling and minimizing costs in today's health care environment as well as the overall health of insureds.

2000 SHP Per Capita Payments by Enrollment Type



State Health Plan Payments

The State Health Plan (SHP) saw plan payments rise 16.6 percent in 2000 to \$711.1 million. Identifying cost trends by types of service is important to understanding both claims and cost growth. For this analysis, payment data is based on claims "paid" in 2000 instead of claims "incurred".

Hospital Payments

Payments for hospital claims made up 44.3 percent of SHP payments in 2000 with \$315.3 million. SHP hospital claim payments increased 9.4 percent from 1999. They are divided into two categories: inpatient and outpatient payments.

Inpatient Hospital

Inpatient hospital payments composed the largest section of hospital payments, 54.3 percent, with \$171.2 million in 2000. Inpatient hospital payments grew 1.8 percent from 1999 compared to the 16.2 percent growth observed from 1998 to 1999. Admissions for inpatient hospital stays rose 6.7 percent to 34,470.

Since 1995, inpatient hospital payment growth has averaged 2.5 percent.

Outpatient Hospital

Outpatient hospital payments were up a substantial 20.2 percent to \$144.1 million in 2000. This growth ranked outpatient hospital payments second only to prescription drug payments in terms of growth rate.

Prior to 2000, hospital outpatient payments grew an

average 9.7 percent annually from 1995 to 1999. The rate of growth has continued to increase annually from 1995 to present.

Professional Payments

Professional payments made up 31.7 percent of plan payments with \$225.2 million in 2000. This is a 10.1 percent increase from 1999 when \$204.5 million were paid for professional payments. Professional payments are broken into professional outpatient, professional inpatient, and professional office payments.

Professional Office

The primary component of professional payments was professional office payments. Accounting for 53.6 percent of professional payments and 17.0 percent of total plan payments, professional office payments grew 13.2 percent to \$120.8 million in 2000. Since 1995, professional office payment growth has averaged 13.7 percent annually.

Professional Outpatient Payments

Professional outpatient payments composed 24.8 percent of professional payments and 7.9 percent of total plan payments in 2000 with \$55.9 million. Cost growth for professional outpatient services slowed somewhat to 6.6 percent, below the annual average of 10.1 percent.

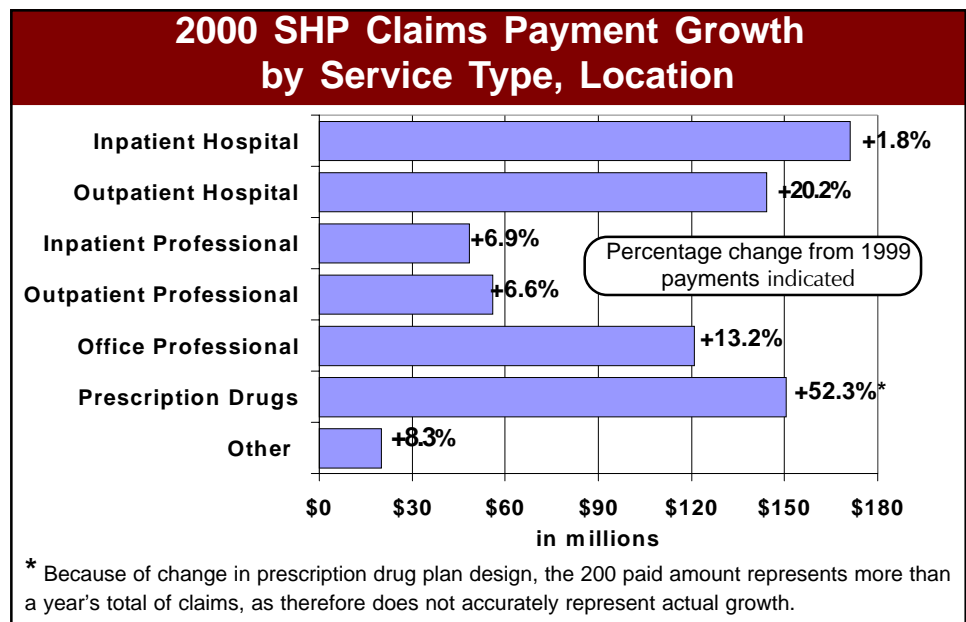
Professional Inpatient Payments

Professional inpatient payments made up 21.6 percent of professional payments as they climbed 6.9 percent to \$48.5 million in 2000. From 1995 to 2000, professional inpatient payment growth averaged 4.7 percent annually.

Drug Payments

A major driving force behind claims growth is the cost growth for prescription drugs. Drug cost growth has become the topic of discussion across the nation as

See PAYMENTS on Page 4



Payments

Continued from Page 3

health plans cope with the growth trend.

It should be noted that with the changes to the prescription drug benefit design at the beginning of 2000, drug payments were up substantially during the first quarter of 2000 with both prior year claims and new claims being paid. Under the new benefit design, drug claims were filed instantaneously at the pharmacy.

In 1995, SHP drug payments composed 11.6 percent of plan payments. By 2000 drug payments made up 21.1 percent of plan payments and are rising. The SHP's 2000 drug payments totaled \$150.4 million.

Types of Service

Plan payments were analyzed by service categories. Surgical services accounted for 33.7 percent of plan payments in 2000 with \$239.7 million, an increase

of 6.5 percent from 1999. Medical services composed 18.2 percent of payments with \$129.8 million, up 12.4 percent.

While five categories posted declines in plan payments, fifteen service categories had some increase in payments in 2000. The largest dollar growth occurred

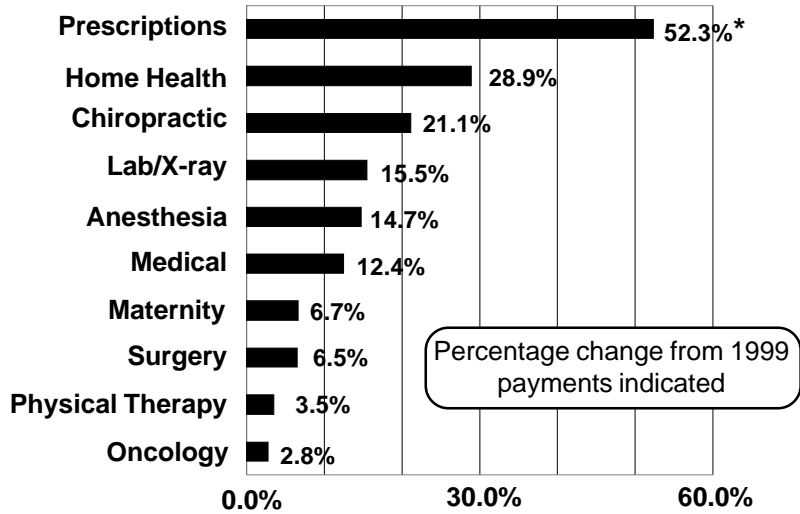
in prescription drugs, up \$51.7 million. Surgical services had \$14.6 million in payment growth while medical services posted \$14.4 million in payment growth.

In terms of growth rates, payments for prescription drugs posted the largest growth rate at 52.3 percent. The 28.9 percent rise in home health services ranked second while payments for chiropractic services grew 21.1 percent in 2000. Lab/x-ray services grew 15.5 percent in 2000.

Conclusion

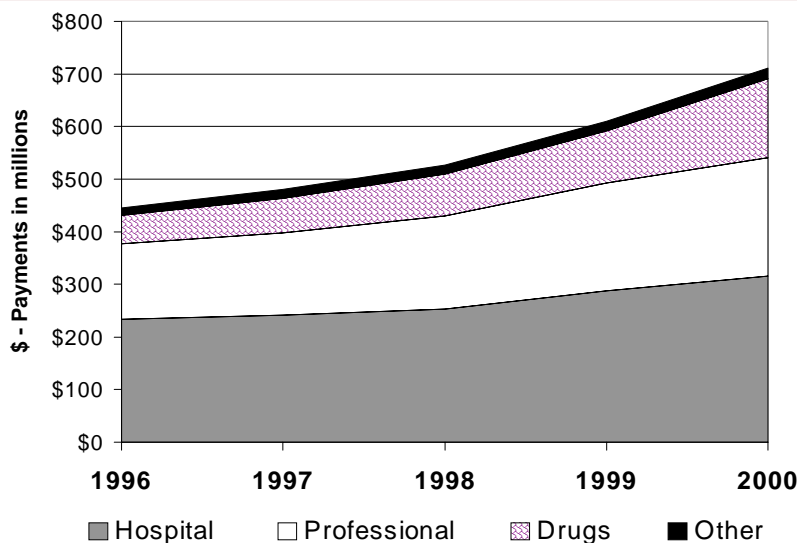
Plan payment growth impacts both employers and employees. As the current trend of double-digit cost growth continues, employers are forced to seek new ways of managing costs. For the 2001 plan year, SHP subscriber premiums increased as a result of rising health care costs and claims growth.

2000 State Health Plan Top 10 Payment Growth Rates by Detailed Service Type



* Because of change in prescription drug plan design, the 200 paid amount represents more than a year's total of claims, as therefore does not accurately represent actual growth.

State Health Plan Claims Payments by Service Category: 1996 - 2000



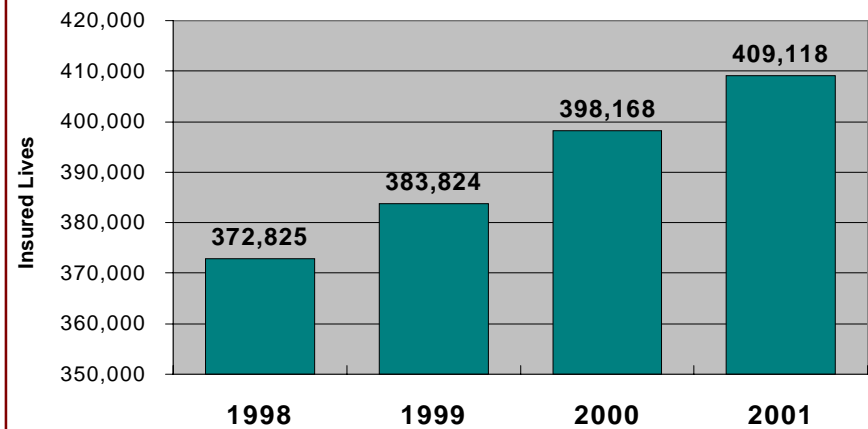
HEALTH PLAN ENROLLMENT 2001

Insured Lives Count Up in 2001


The Office of Insurance Services (OIS) had more health insureds in 2001 than ever before. The number of lives insured by the State Health Plan or other health plan options rose 2.8 percent from 398,168 in February 2000 to 409,118 in February 2001. Since 1998, the number of insureds has risen an average 3.1 percent annually.

Both subscriber and dependent enrollment rose. Subscriber enrollment was up 3.1 percent to 231,680 while the number of dependent spouses and children grew 2.3 percent to 177,438.

Insured Lives: 1998 to 2001



Reviewing enrollment trends provides some insight into the impact of plan changes on a subscriber's health plan choice.

For the purpose of this enrollment section, February enrollment data is utilized for each year discussed. 

2001 Health Plan Enrollment Options

Health subscribers had several plan options for 2001 enrollment. Along with the State Health Plan's (SHP) Economy and Standard options, subscribers also chose from up to three HMO plans under contract with the state and the MUSC Options plan, depending upon service area.

The State Health Plan

The percentage of total subscribers with SHP coverage continues to rise annually. In 1997, the SHP composed 85.2 percent of subscriber contracts. By February 2001, the SHP's share of total subscribers rose to 89.5 percent with 207,269 subscribers.

Three plan options are available under the SHP - the Economy, Standard, and Medi-

care Supplement Plans. Changes were made to the design of these options effective January 2001. The Economy Plan now features an annual deductible of \$350 per individual or \$700 per family and a 25 percent co-payment after the annual deductible is met. The Standard Plan now has an annual deductible of \$250 per individual or \$500 per family along with a 20 percent co-payment after meeting the annual deductible. The Medicare Supplement Plan is available to retirees and their dependents and survivors that are entitled to Medicare.

The Standard Plan was by far the leading option among SHP subscribers in 2001 with 81.9 percent of SHP subscribers. The Standard Plan's subscriber count grew 4.2 percent in 2001 to

169,759 subscribers.

The Medicare Supplement Plan composed 11.1 percent of SHP subscriber enrollment in 2001 with 22,997 subscribers. The subscriber count in the Medicare Supplement Plan was up 5.7 percent from 2000.

The Economy Plan made up 7 percent of 2001 SHP subscriber enrollment with 14,513 subscribers. Enrollment in the Economy Plan declined slightly (0.1 percent) from 2000.

MUSC Options

The MUSC Options Plan is offered to subscribers who live or work in Berkeley, Charleston, Colleton, and Dorchester counties. The plan is a self-funded

See **OPTIONS** on Page 6

Options

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managed care program, known as a point-of-service (POS) plan, designed to incorporate some beneficial features of HMOs and traditional indemnity plans. The MUSC Options Plan has no annual in-network deductible and pays 100 percent for services after copayments.

Subscriber enrollment in the MUSC Options Plan nearly doubled to 3,533 in 2001 from

1,851 in 2000. Major factors in this growth are the expansion of the plan's service area and the addition of retiree, COBRA, and survivor subscribers to the plan. Prior to 2001, only MUSC employees and staff were eligible for the plan.

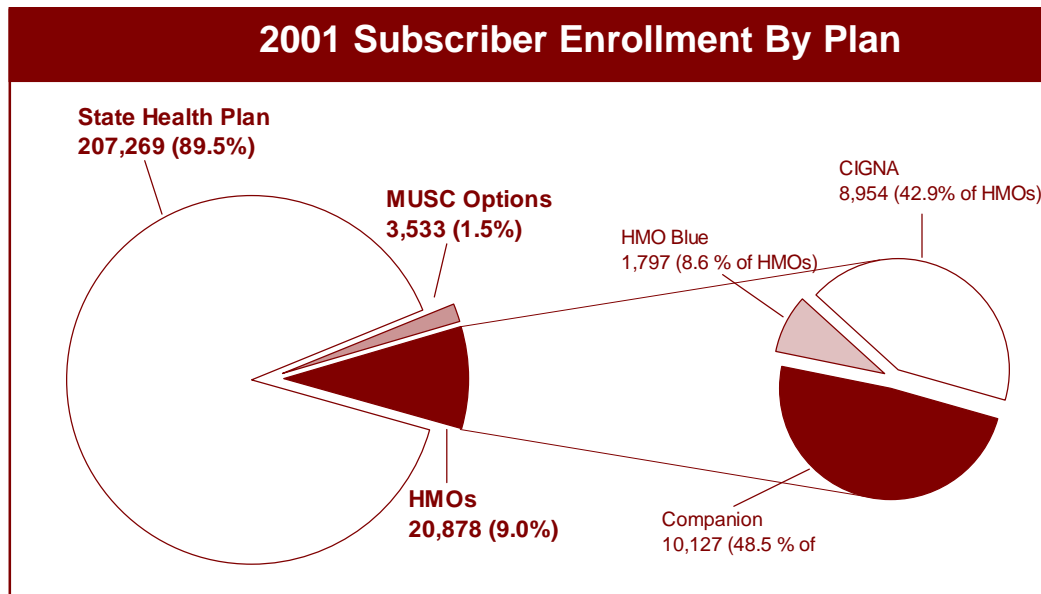
HMO Coverage Options

Subscribers had up to three HMO options to choose from in 2001, depending on coverage area and availability. The HMO choices were Companion Healthcare, CIGNA Healthcare of

South Carolina, and HMO Blue. However, the numbers of subscribers opting for HMO coverage declined 11.5 percent. In 2001, a total of 20,878 subscribers, or 9 percent of total health subscribers, enrolled in an HMO plan. The vast majority of 2001 HMO subscribers, 94.5 percent were active subscribers.

The predominant HMO was Companion Healthcare with 48.5 percent of HMO contracts, or 10,127 subscribers. Companion's subscriber enrollment rose 8.1 percent from 9,369 in 2000.

CIGNA Healthcare was second in terms of HMO subscribers with 8,954, or 42.9 percent of HMO subscribers, in 2001. CIGNA's subscriber count declined 4.3 percent from 9,355 in 2000. HMO Blue ranked third in HMO subscribers with only 1,797 in 2001, a 63.1 percent drop from 4,869 in 2000.



State Health Plan Changes Have Little Impact on Enrollment

Despite of increases in out-of-pocket costs, State Health Plan (SHP) subscriber enrollment continued to increase. For many years, SHP subscribers saw little change in their insurance costs. However, for the first time since 1990, SHP subscribers saw increases in coinsurance and deductibles in 2001. And, for the first time since 1991, SHP subscribers saw an increase in premi-

ums for the 2001 plan year.

Rising health care costs and increases in claims were driving reasons for increases. Plan statistics show dramatic increases in health care costs along with constant growth in enrollment and utilization. Plan payments have risen more than 60.0 percent since 1995. Prescription drug costs in particular have grown to

over 3 times their 1995 plan payments.

SHP enrollment grew in spite of the changes implemented to the Plan for 2001. Subscriber enrollment rose 4 percent, somewhat less than the 6.5 percent SHP subscriber growth from 1999 to 2000, but still close to the 5-year average annual growth rate of 4.2 percent.

2001 Subscriber Type Enrollment

The Office of Insurance Services (OIS) provides insurance coverage to several types of subscribers and their dependents: actives, retirees, survivors, and COBRA subscribers.

Actives

Active subscriber enrollment rose 2.6 percent in 2001 and composed 76.9 percent of total subscribers with 178,158 subscribers.

The State Health Plan was the plan of choice for most active subscribers. According to enrollment data, 87.0 percent of all active subscribers enrolled in the SHP. Among SHP actives, 91.0 percent chose the Standard Plan.

Active subscriber HMO enrollments continued to drop in 2001. In 2001, 11.1 percent of active subscribers enrolled in an HMO, compared to 13.0 percent in 2000.

The percentage of active subscribers enrolling in the MUSC Options plan grew from 1.1 percent in 2000 to 2.0 percent in 2001.

Retirees

Retiree subscribers grew 5.0 percent and made up 21.2 percent of subscriber enrollment in 2001 with 49,210 retiree subscribers.

Retiree subscribers choose the SHP to other plans 98.0 percent of the time. Of those retiree subscribers enrolled in the SHP, 54.0 percent enrolled in the Standard Plan.

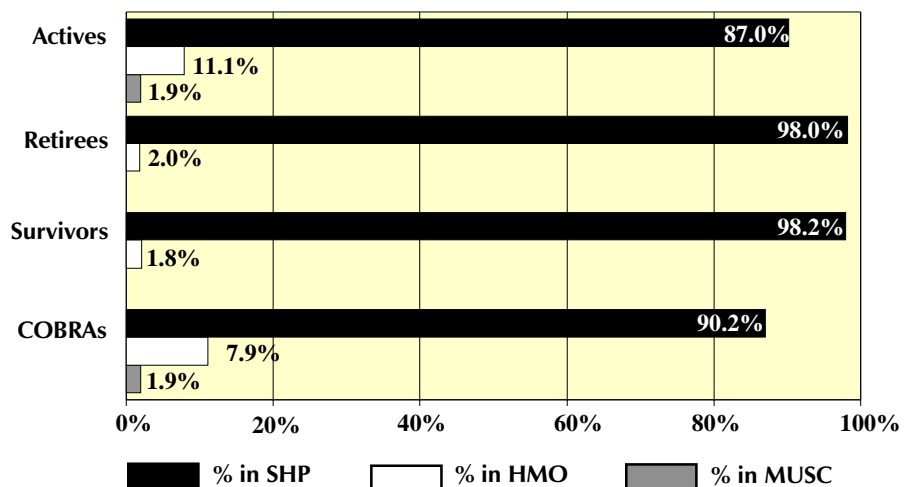
A total of 34,059 SHP retiree subscribers (70.6 percent) were eligible for Medicare in 2001. These subscribers had two plan options to choose from: the Medicare Supplement Plan or the Standard Plan. The Medicare Supplement Plan pays Medicare deductibles, coinsurance, and includes a prescription drug

The vast majority of these subscribers, 98.2 percent enrolled in the SHP and 72.6 percent were above age 64.

COBRA

The Consolidated Omnibus Budget Reconciliation Act (COBRA) requires employers to offer

2001 Division of Subscribers between SHP and HMOs, by Subscriber Type



benefit. The Standard Plan provides benefits by using the carve-out method in which the total combined payment by Medicare and the SHP is equal to the SHP payment for members who are not covered by Medicare.

Of those retiree subscribers eligible for Medicare, 64.0 percent chose the Medicare Supplement Plan in 2001, up from 62.6 percent in 2000.

Survivors

Survivor subscribers composed only 1.1 percent of total subscribers with 2,655 in 2001.

covered employees and covered family members the opportunity for a temporary extension of health and/or dental coverage at group rates when such coverage would otherwise end due to a qualifying event. A total of 1,657 subscribers were covered under COBRA for 2001 with 90.2 percent in the SHP.

Conclusion

While plan enrollment varies by subscriber types, the SHP remains the leading plan option of subscribers.

Subscriber Tiers


Subscribers are given their choice of four tiers to enroll under: *subscriber only*, *subscriber child(ren)*, *subscriber-spouse*, and the *full family* tier. Health premiums vary for each of these tiers. Those enrolled in the *subscriber only* tier pay the lowest monthly premiums while subscribers under the *full family* tier pay the highest premiums.

The *subscriber only* tier was the largest of the four tiers in 2001 with 132,706 subscribers (57.3 percent of subscribers). The tier was most prominent among HMO subscribers as 67.0 percent (13,986 HMO subscribers) chose *subscriber only* coverage. A total of 116,760 SHP subscribers (56.3

percent of SHP subscribers) chose the tier for coverage.

The *subscriber/child* tier ranked second in subscriber enrollment with 38,900 subscribers (16.8 percent of subscribers). Most of these subscribers, 95.6 percent (37,205 subscribers), were actives.

The *subscriber/spouse* tier made up 13.7 percent of subscriber enrollment with 31,631 subscribers.

The *full family* tier composed 12.2 percent of subscriber enrollment with 28,288 subscribers. This tier primarily consists of active subscribers enrolled in the SHP. 

percent of SHP subscribers) chose the tier for coverage.

The *subscriber/child* tier ranked second in subscriber enrollment with 38,900 subscribers (16.8 percent of subscribers). Most of these subscribers, 95.6 percent (37,205 subscribers), were actives.

The SHP lost more subscribers to the MUSC Options Plan than any other plan in 2001. Plan switches to the MUSC Options plan accounted for 47.4 percent of SHP subscriber switches to other plans. Companion HMO composed 34.6 percent

of subscriber switches from the SHP.

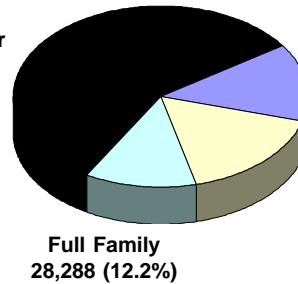
MUSC Options Plan

MUSC Options plan posted a net gain of 1,348 subscribers from switches. A total of 1,402 subscribers switched to this plan while only 82 MUSC Options subscribers switched to another plan. Most of the gain was the direct result of the expansion of MUSC Options' service area for 2001.

MUSC Options picked up the majority of subscriber switching gains from the SHP. SHP subscriber switches made up 56.6 percent of MUSC Options subscriber gains from switches with 809 subscribers. CIGNA Healthcare composed 20.6 percent with 295 subscribers while

2001 Health Subscriber Enrollment by Tier

Subscriber Only Tier
132,706 (57.3%)



Subscriber/Spouse
31,631 (13.7%)

Subscriber/Children
38,900 (16.8%)

Full Family
28,288 (12.2%)

Note: The subscriber enrollment for the Child Only (155) tier were too small to be represented in this chart.

Health Plan Switches

Each year during open enrollment, health subscribers are given the opportunity to renew or change their health plan. While a relatively small portion of subscribers switch plans, examining plan switches provides some indication of the impact of plan changes.

While subscriber enrollment grew 3.1 percent in 2001, the number of subscribers switching health plans grew as well. In 2001, 6,623 subscribers, 2.9 percent of health plan subscribers, switched plans.

The State Health Plan

The State Health Plan (SHP) was the primary source of subscriber plan switches in 2001. The SHP gained 2,749 subscribers from switches while losing 1,708 SHP subscribers to plan

See SWITCHES on Page 9

Switches

Continued from Page 8

MUSC Options gained 226 subscribers (15.8 percent of its gains from switches) from Companion HMO. A total of 100 subscribers (7.0 percent of its gains from switches) were gained by MUSC Options from HMO Blue.

Of the 82 subscribers switching from MUSC Options Plan, 96.0 percent (79 subscribers) switched to the SHP.

Companion HMO

Companion HMO had a net gain of 710 subscribers from plan switches for 2001. A total of 1,402 subscribers switched to Companion HMO while 692 Companion HMO subscribers switched to another plan.

Subscribers switching to Companion HMO were from the SHP (42.2 percent of Companion gains), HMO Blue (38.8 percent), or CIGNA Healthcare (18.8 percent). Less than 1.0 percent of Companion's gains from switching came from the MUSC Options Plan.

Companion HMO lost more of its subscribers switching plans

to the SHP. Of those switching from Companion HMO, 62.9 percent switched to the SHP; 32.7 percent switched to MUSC Options Plan; 3.9 percent switched to CIGNA Healthcare; and 0.5 percent switched to HMO Blue.

CIGNA Healthcare

CIGNA Healthcare had a net loss of 415 subscribers due to plan switches. A total of 1,012 subscribers switched to CIGNA Healthcare while 1,427 CIGNA Healthcare subscribers switched to another plan.

CIGNA Healthcare gains from subscriber switches were from HMO Blue (68.4 percent of CIGNA Healthcare gains), the SHP (29.0 percent), and Companion HMO (2.6 percent).


A total of 857 (60.1 percent) of CIGNA Healthcare subscribers switching to another plan chose the SHP for 2001. The plan lost 295 (20.7 percent) of subscribers switching plans to the MUSC Options Plan. Companion HMO picked up 264 (18.5 percent) of CIGNA Healthcare's subscriber switches while the remaining 11 (0.7 percent) subscriber switches went to HMO Blue.

HMO Blue

HMO Blue lost more subscribers to switches than any other plan in 2001. The plan lost 2,714 subscribers to plan switches while gaining only 30 for a net loss of 2,684 subscribers. The primary cause of these switches was HMO Blue's reduction of service areas from eight in 2000 to two for 2001. In addition to the reduction in the plan's service areas, HMO Blue also raised premium rates for 2001.

Most of the subscribers leaving HMO Blue, 1,378 subscribers (50.8 percent of HMO Blue subscriber losses to plan switches), chose the SHP for coverage in 2001. CIGNA Healthcare picked up 692 HMO Blue subscribers (25.0 percent) while Companion HMO gained 544 subscribers (20.0 percent) from HMO Blue. The remaining HMO Blue subscribers switching plans, 100 subscribers (3.7 percent), chose the MUSC Options plan for 2001.

Conclusion

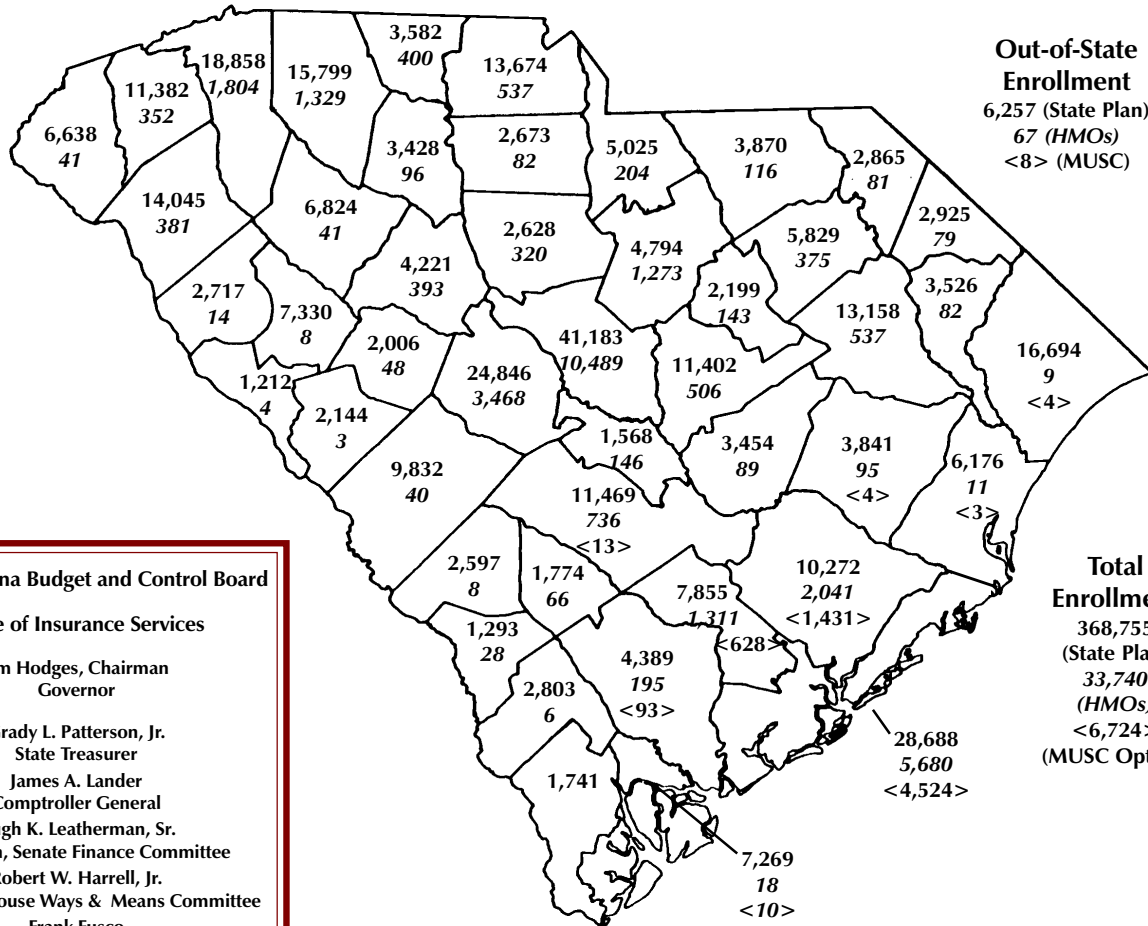
The State Health Plan continues to benefit from plan switching. While many factors play into a subscriber's choice of health plans, many change to the SHP. 

2001 Subscriber Disenrollment from State Plan, HMOs, & MUSC Options

	Total Disenrollment	October 2000 Enrollment	Disenrollment Percentage	Voluntary Disenrollment	Voluntary Disenrollment %
State Health Plan	1,708	204,463	0.8%	1,708	0.8%
CIGNA	1,427	9,387	15.2%	1,427	15.2%
Companion	692	9,262	7.5%	692	7.5%
HMO Blue	2,714	4,680	58.0%	856	18.3%
MUSC Options	82	2,119	3.9%	82	3.9%
Totals:	6,623	229,911	2.9%	4,765	2.1%

Disenrollment (subscribers leaving a particular plan option for another) comes in two ways. First, the plan option no longer may be available in the subscriber's area. Second, a subscriber may opt for another plan, even though the current plan remains available. Leaving a plan under these circumstances is termed "voluntary disenrollment."

2001 State Group Enrollment by County



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TRENDS Staff

Patrick A. Harvin, Editor

Estela L. Long, Ph.D.

Dewey King

Rob Tester

Office of Insurance Services
State Budget and Control Board
Post Office Box 11661
Columbia, South Carolina 29211